

Land acquisition

the interplay of values and prices



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Relevance

Why do we need to know more about land acquisition prices?

Land prices remain partly unexplained

“the tendency to focus on *fundamentals first*, leaving other influences to the realm of *residuals*” (Smith, 2011, p.243)

Real estate development processes – land price as outcome or determinant

“the idea of price, cost and value occupying different regions of mental time” (Özdilek, 2010)

“ownership constraints” (Adams et al., 2001)

“morphological effects of fragmented ownership” (Buitelaar & Segeren, 2011)

The Dutch context

unique, illustrative or generally applicable?

Active land policy – municipal land acquisition

A complicated institutional context: formal rules, power relations and political preference structures

Market disturbance

Land price is not given by the market

Unique practice but a general fit within institutional theory

“The last thing you want to know about a transaction is its price. Until then it is meaningless and, worse, can be misleading. [...] Go behind the numbers to get **the details of the transaction**, and then analyze and fully understand it.” (Dorchester Jr., 2011, p.437).

“In our time, the full account must describe the workings of both the **hidden hand** and the **many visible hands**” (Lindblom, 2001, p.3)

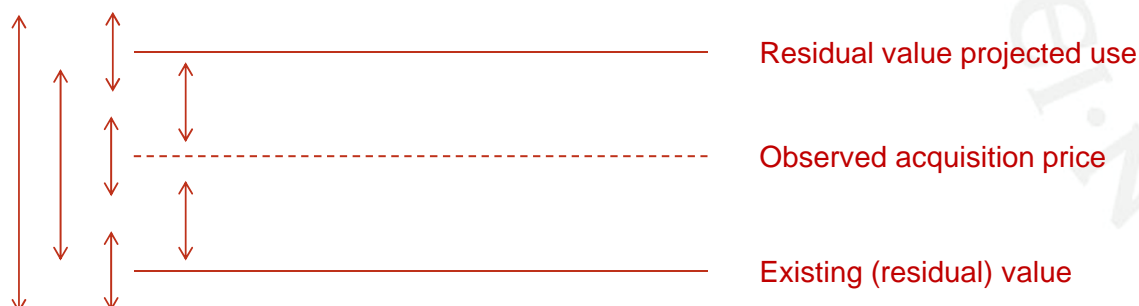
A little bit of theory

How do institutions affect market outcomes?

“Institutions affect market outcomes” (Lai & Hung, 2007)

But how? (Dequech, 2006)

1. “constraints – institutions and their restrictive function”
2. “informational cognitive function – institutions provide information (including the likely actions of other people)”
3. “deeper cognitive function – institutions affect the very perception that people have of reality”
4. “motivational function – institutions affect the ends that people pursue”



“A theory of land prices when land is supplied publicly” (Needham, 1992)

Case study methodology

- ▶ Aim to explain municipal land acquisition prices by looking at the nexus between value and price
- ▶ Twelve municipalities: interviews, document analysis

Case study results

*Economic, institutional and political **value** determinants*

There are several other values between the minimum and maximum value

These values are being (un)intently influenced and shaped during the acquisition process

A value is chosen as a reference or anchor

Case study results

Why prices deviate from their corresponding values

Another specific value is chosen as a reference or anchor

No specific value is chosen as a reference

Interdependency among actors

Interdependency among acquisitions

Preliminary overall conclusions

Value and price interdependencies during the acquisition process

- ▶ In order to fully understand land acquisition prices one has to think in terms of both a value and price context.
 - ▶ Although these are economic terms, their relationship is shaped by social, political and institutional aspects.
 - ▶ The focus on the interplay between value and price is a promising start and of potential help to explain and understand the so called 'unexplained residuals' in land price research.
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